



**Director of
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IRAQ-IRAN: Iraqi Use of Nerve Agent

Iran's claims that Iraq has used a nerve agent almost certainly are true. [redacted]

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Tehran radio reported that last Saturday Iraqi aircraft dropped bombs containing nerve agent on Iranian troops near the Majnoon Islands. It stated that, as a result of exposure to the nerve agent, over 200 soldiers suffered from nervous spasms. [redacted]

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An Iraqi official recently warned of the use of "insecticide" against Iranian troops. [redacted]

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Comment: This evidently is the first use by any country of nerve gas in a combat situation. Iraq apparently has only the small amount of nerve agent that it has produced over the past year or so in its pilot plant. The Iraqis have been using mustard and riot control agents since last year. [redacted]

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The recent Iranian offensives may have depleted Iraq's supply of mustard agent. Consequently, the Iraqis may hope that even limited use of a nerve agent will help deter Iranian human-wave attacks. [redacted]

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Iraqi nerve agent production plants will not go into full-scale production for another four to six months. Until then, Iraq's use of nerve agent will be infrequent. The Iranians probably do not know the construction status of Iraq's nerve agent production plants. [redacted]

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Both Iraq and Iran are signatories to the Geneva Protocol of 1925 prohibiting chemical weapons use. Iraq's use of nerve gas could have a marked impact on the credibility of international arms control agreements. [redacted]

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LEBANON: Political Gestures Toward Christians

Shia and Druze militiamen are reasserting control over Palestinian fighters and the Sunni Murabitun militia in West Beirut, probably in an attempt to enforce the cease-fire and facilitate talks with the Christian militia. []

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Druze leader Junblatt and Amal chief Barri publicly repudiated Lebanon's traditional political processes after the talks in Lausanne. Both have called for direct negotiations with the Christian Lebanese Forces militia. They have backed away from their earlier statements that a return to violence is inevitable, and they are now expressing hopes that the cease-fire will hold. []

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The US Embassy reports that closer ties between the Murabitun and Palestinian dissidents had become a major hindrance to Shia and Druze political initiative and control of West Beirut. Undisciplined Murabitun and Palestinian fighters were breaking the cease-fire and accused of other disruptive activities. []

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Comment: The overture by the Shias and the Druze to the Lebanese Forces has been received favorably by representatives of the Christian militia in Beirut. Both sides may welcome a breathing space and enforce the cease-fire until new strategies evolve. They probably see the suppression of militias they consider marginal as a necessary first step. []

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Syria lost prestige when the talks in Lausanne failed. As a result, Damascus is likely to hold down the level of violence in order to claim that it has a positive influence in Lebanon. []

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There is no effective mechanism, however, for policing the cease-fire. The security situation thus will remain unstable even if there are no new military offensives. []

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IRAQ-JORDAN-SAUDI ARABIA: Oil Pipeline Negotiations

Iraq's concern about the financing and security of the proposed oil pipeline through Jordan apparently is causing a shift in favor of the alternative pipeline through Saudi Arabia. [redacted]

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The US Interests Section in Baghdad says that discussions on the proposed pipeline from Iraq to Al Aqabah, Jordan, have stalled because of Baghdad's resistance to asking Saudi Arabia and Kuwait to provide guarantees for the financing. Without such guarantees, other private financiers of the pipeline will back out. [redacted]

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Iraq also is insisting on US Export-Import Bank financing and US assurances that Israel will not interfere with the pipeline. Baghdad has implied it will abandon the Jordanian project if its conditions are not met. [redacted]

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Comment: Iraq may be concerned that asking Riyadh to help finance the Jordanian pipeline would give the Saudis an excuse to renege on building their pipeline. Baghdad's hint it may abandon the project, however, may be a bluff. [redacted]

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The Iraqis probably prefer the Saudi pipeline because they see it as more secure and because it could be built in as little as 12 to 15 months. This would be less than half the time the Jordanian pipeline would require. [redacted]

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MEXICO: Plans To Reform the Ruling Party

President de la Madrid is concerned that the ruling party is losing its vitality and plans major changes to improve its popularity and election prospects. []

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Public statements suggest that de la Madrid and his senior advisers will replace ineffective and corrupt party officials, strengthen the candidate selection process, and make the party platform more appealing to the middle class. The party has already announced some changes in leadership, and it is discussing other reforms to be ratified this summer by the party's general assembly. []

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[] wins by the center-right opposition party in local elections last year and pressure from labor boss Fidel Velazquez persuaded the President that reform is necessary before campaigning begins for congressional elections in 1985. De la Madrid has chosen a close friend, the ruling party president, to direct the restructuring despite his limited political experience and background as a technocrat. []

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Comment: Party stalwarts oppose the changes as a threat to patronage and predict they will increase the party's vulnerability to opposition gains in 1985. These officials favor some kind of revamping, but they are displeased that an official with little political experience heads the effort. []

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Success of the reform program will be measured by election results next year. If the opposition demonstrates growing strength, de la Madrid is likely to turn from the party president to experienced politicians to revitalize the ruling party. []

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SURINAME: Financial Problems

The economic consequences of the monthlong strike by bauxite workers have added a new sense of urgency to Paramaribo's search for foreign assistance. [redacted]

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The US Embassy reports growing concern among Surinamese businessmen that the Central Bank will be unable to provide foreign exchange for imports. The government already has suspended all import licenses issued before August 1983, and some importers have been denied new licenses. [redacted]

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Paramaribo has failed to secure any substantial amount of hard currency assistance since December 1982. Government officials are counting on a quick infusion of IMF funds. [redacted]

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Army Commander Bouterse recently announced that the government will ensure the rational allocation of foreign exchange, reduce spending, increase tax revenues, and encourage private investment to cope with the economic difficulties. [redacted]

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Comment: The businessmen's concerns are likely to increase if Paramaribo drains credit available to the private sector by financing the budget deficit largely with Central Bank loans, as it did last year. Foreign exchange reserves probably can cover less than one month's worth of imports, and even tighter import restrictions will be necessary. [redacted]

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Bouterse may lack the resolve or political dexterity to institute the unpopular austerity measures needed to obtain IMF funds any time soon. [redacted]

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USSR: Problems in Training Reservists

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[redacted] periodic military reservist callups and exercises apparently are not adequate to maintain individual skills or to develop cohesive units. [redacted]

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Soviet laws permit at least five callups of each reservist for training. [redacted] the typical Soviet reservist is mobilized only once or twice. According to US studies, most have forgotten their military knowledge by the time they are recalled for refresher training about five years after leaving active duty. [redacted]

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Former military personnel usually spend less than two months on duty while they are in the reserves. Often more than half of that time is devoted to nonmilitary activity such as support for harvests or construction labor. [redacted]

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Higher strength combat units conduct the most frequent reserve training. They often conduct mobilization exercises annually. Different reservists are usually called up each year, however, so unit cohesion and individual training are not fully developed. [redacted]

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Low-strength divisions, which may need up to 12,000 reservists each, are required to mobilize fully only once every five years. Reservists often comment that the training they did receive was stereotyped or simplistic. [redacted]

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Comment: Soviet combat units in Central Europe, which would conduct the initial campaign against NATO, do not rely heavily on reservists, and their combat effectiveness would not be strongly affected. Deficiencies in the Soviet reserve system, however, could substantially reduce the combat effectiveness of second-echelon or reinforcement units in combat against NATO forces. [redacted]

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The large number of second-echelon units in the western USSR that are intended to move forward to continue operations would be far less capable without at least one month of intensive training after mobilization. Nonetheless, the Soviets are unlikely to alter their current reserve training system. Additional training would increase costs and draw manpower away from civilian sectors. [redacted]

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SUDAN: Reaction to Bombing

The US Embassy in Khartoum reports that the airstrike on the government broadcasting facility last week has aroused little concern about Libyan intentions among most Sudanese. Some believe that Egypt and Sudan staged the incident to embarrass Libyan leader Qadhafi. The Sudanese who believe Libya perpetrated the attack are less concerned about Qadhafi's intentions than about the ineffectiveness of the Sudanese military. An anti-Libyan rally held by the government party the day after the attack drew only 600 people.

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Comment: The attack appears to have had little effect on popular support for the Nimeiri government. The lowering of public confidence in the military, however, probably will depress Army morale further. In addition, insurgents in southern Sudan may be encouraged to expand their operations.

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SOUTHERN AFRICA: Military and Political Developments

South Africa and Mozambique appear to be carrying out the terms of their recent security agreement. Mozambican officials say that the joint military commission will meet on Monday, and the US Embassy in Maputo reports that the commission may discuss joint military patrols on Mozambican territory. Meanwhile, Tanzanian officials have confirmed to the US Embassy in Dar es Salaam that a meeting of leaders of the Frontline States will be held soon. The planned meeting follows an announcement by the ANC that it will intensify its terrorist campaign against South Africa.

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Comment: Tanzanian President Nyerere, who is chairman of the Frontline States, persuaded the other Frontline leaders to boycott the signing of the security agreement last week. The leaders probably will feel obliged to voice strong support for SWAPO and the ANC to offset increasing public sentiment that the insurgent groups have been betrayed by Angola and Mozambique. They also are likely to endorse the strong conditions for a Cuban troop withdrawal stated in the recent Angolan-Cuban communique. Nonetheless, the group probably will offer at least lukewarm backing for the Angolan and Mozambican dialogues with South Africa.

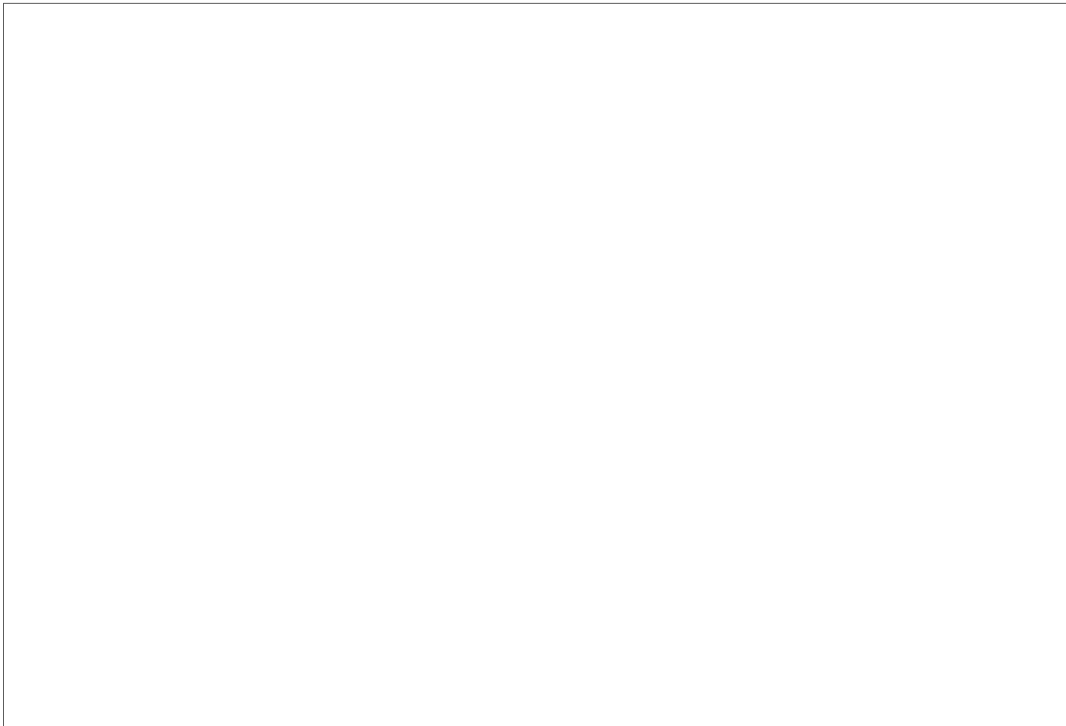
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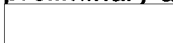
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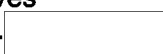


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MEXICO-COSTA RICA: Financial Assistance

Mexico has loaned Costa Rica \$50 million, an amount that San Jose claims is necessary to avert technical default on its foreign bank debt. The loan is scheduled to be repaid by mid-June, according to the US Embassy. Mexico is insisting that its financial support should not be publicized, to avoid problems with its creditors. Costa Rica also has reached preliminary agreement with the IMF on a standby loan for this year. 

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Comment: President Monge began to try to improve relations with Mexico last year, and his efforts are paying off. Mexico City has long insisted that the economic aid it extends is not politically motivated. This loan may be intended to restore the appearance of fairness because other Central American countries are aware of Mexico's substantial aid to Nicaragua. The loan probably will be enough to allow Costa Rica to make payments on its foreign commercial debt for the next few months, but one US bank believes that it will merely delay a foreign exchange crisis until midsummer. 

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TERRORIST WATCH

Middle East

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- The US and British Embassies in Dacca, the British and Italian Embassies and two US firms in Jakarta, and the British and French Embassies in Cairo have received identical letters mailed locally threatening vengeance for Western activities in the Middle East. The letters are signed "Islamic Jihad." This probably is a cover name for Iranian-supported radical Shias who claimed responsibility for the bombing of the US Embassy in Beirut last spring and the bombings in October of the headquarters of the US and French contingents of the Multinational Force.

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Special Analysis

JORDAN-US: Reassessment by King Hussein

King Hussein's recent criticism of the US results from his conviction that the Middle East peace process is stalled. He is willing to tolerate increased tensions with Washington until after the US elections, but he will not risk a major rift in bilateral ties. The King may follow through with his threat to seek some military equipment from the USSR, but he probably sees no alternative to the US as Jordan's major supplier.

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Hussein had hoped that the split between PLO chief Arafat and the Syrian-sponsored PLO radicals would provide an opening for an agreement with Arafat on a joint approach to a negotiated settlement in the Middle East. The US reverses in Lebanon and Washington's perceived emphasis on security arrangements with Israel, however, reinforced the King's doubts about US effectiveness as an honest broker. Under these circumstances, he evidently decided on a low-risk policy.

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Instead of pushing Arafat toward an agreement, Hussein seems to have settled for improving relations with moderates in the PLO while cultivating West Bank Arabs. His principal concern now is to guard against Arab radicals while waiting for a more opportune time to return to the peace process.

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Counting Losses

The King seems to believe that for now he has little to lose by venting his frustration with US policy. He probably had ceased to expect Congressional approval of the sale of Stinger missiles even before his critical remarks and knew he was risking the loss of support for the sale by the US administration. He sees the sale's cancellation as confirmation of his charges against the US.

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Hussein has been discouraged by continued Congressional opposition to the sale of US weapons to Jordan at a time when he feels more vulnerable than ever to threats by Syria and radical Palestinians. He particularly resents conditions imposed by Congress linking arms aid to Jordan's commitment to the peace process.

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The King may now decide to withdraw his agreement on the Jordan Logistics Program. Opposition to the program is growing among his Arab neighbors, and Hussein may conclude that the program benefits the US more than Jordan. []

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Soviet Arms

Hussein's references to the possibility of buying air defense equipment from the USSR obviously are intended to persuade Washington that he has other sources of military assistance. Jordan, however, would need help in paying for major purchases outside the US. []

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Although Iraq has financed such equipment for Jordan in the past, it cannot do so now because of the war. The Saudis would hesitate to provide funds out of fear of increasing Soviet influence in the region. []

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The USSR probably would welcome the opportunity for additional arms deals with Jordan and would offer concessionary terms. Even if Hussein made a deal with the Soviets, however, he would remain wary of allowing a substantial number of Soviet advisers in Jordan. []

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Outlook

Hussein almost certainly does not want a serious deterioration in relations with the US. He attaches great importance to the benefits of continued diplomatic and military cooperation. Moreover, he probably believes few, if any, other countries would be willing to replace the US as his principal benefactor. []

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The King has adopted his current strategy of playing for time in the belief that little progress will be made on broader peace issues before the US elections. He also will want to see whether early elections in Israel produce a government more amenable to territorial concessions, which are impossible under the current coalition. []

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Hussein's senior advisers reportedly are encouraging him to continue the media campaign against US policy in the Middle East in hope of provoking a public debate in the US on the Arab-Israeli question. Hussein also may encourage other moderate Arabs to voice reservations about the US as an ally to put more pressure on Washington to reevaluate its policies in the region. The other moderate Arab leaders, however, are likely to caution Hussein against taking other steps that would further complicate his relations with Washington. []

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